TOBACCO BILL/Democrat Proposal for Limited Marriage Penalty Relief

SUBJECT: **National Tobacco Policy and Youth Smoking Reduction Act . . . S. 1415. Lott motion to table the Daschle amendment No. 2437 to the Daschle (for Durbin) amendment No. 2437, as amended, to the instructions (Gramm amendment No. 2436) to the Gramm motion to recommit the Commerce Committee modified substitute amendment No. 2420.**

ACTION: MOTION TO TABLE AGREED TO, 55-43

SYNOPSIS: The "Commerce-2" committee substitute amendment (see NOTE in vote No. 142) to S. 1415, the National Tobacco Policy and Youth Smoking Reduction Act, will raise up to $265.0 billion over 10 years and up to $885.6 billion over 25 years from tobacco company "payments" (assessments) and from "look-back" penalties that will be imposed on tobacco companies if they fail to reduce underage use of tobacco products. Most of the money will come from the required payments ($755.67 billion over 25 years). Additional sums will be raised from other fines and penalties on tobacco companies, and the required payments will be higher if volume reduction targets on tobacco use are not met. The tobacco companies will be required to pass on the entire cost of the payments to their consumers, who are primarily low-income Americans. By Joint Tax Committee (JTC) estimates, the price of a pack of cigarettes that costs $1.98 now will rise to $4.84 by 2007. The amendment will require the "net" amount raised, as estimated by the Treasury Department, to be placed in a new tobacco trust fund. (The net amount will be equal to the total amount collected minus any reductions in other Federal revenue collections that will occur as a result of increasing tobacco prices. For instance, income tax collections will decline because there will be less taxable income in the economy). The JTC estimates that the amendment will raise up to $232.4 billion over 9 years, but only $131.8 billion net. Extending the JTC's assumptions through 25 years, a total of $514.2 billion net will be collected. The amendment will require all of that money to be spent; 56 percent of it will be direct (mandatory) spending. The Federal Government will give States 40 percent of the funds and will spend 60 percent. Medicare will not get any of the funding in the first 10 years unless actual revenues are higher than estimated in this amendment (in contrast, the Senate-passed budget resolution required any Federal share of funds from tobacco legislation

(See other side)

YEAS (55)			NAYS (43)			NOT VOTING (2)	
Republicans (54 or 100%)		**Democrats (1 or 2%)**	**Republicans (0 or 0%)**	**Democrats (43 or 98%)**		**Republicans (1)**	**Democrats (1)**
Abraham	Helms	Feingold		Akaka	Kennedy	Specter-3	Biden-2
Allard	Hutchinson			Baucus	Kerrey		
Ashcroft	Hutchison			Bingaman	Kerry		
Bennett	Inhofe			Boxer	Kohl		
Bond	Jeffords			Breaux	Landrieu		
Brownback	Kempthorne			Bryan	Lautenberg		
Burns	Kyl			Bumpers	Leahy		
Campbell	Lott			Byrd	Levin		
Chafee	Lugar			Cleland	Lieberman		
Coats	Mack			Conrad	Mikulski		
Cochran	McCain			Daschle	Moseley-Braun		
Collins	McConnell			Dodd	Moynihan		
Coverdell	Murkowski			Dorgan	Murray		
Craig	Nickles			Durbin	Reed		
D'Amato	Roberts			Feinstein	Reid		
DeWine	Roth			Ford	Robb		
Domenici	Santorum			Glenn	Rockefeller		
Enzi	Sessions			Graham	Sarbanes		
Faircloth	Shelby			Harkin	Torricelli		
Frist	Smith, Bob			Hollings	Wellstone		
Gorton	Smith, Gordon			Inouye	Wyden		
Gramm	Snowe			Johnson			
Grams	Stevens						
Grassley	Thomas						
Gregg	Thompson						
Hagel	Thurmond						
Hatch	Warner						

EXPLANATION OF ABSENCE:
1—Official Business
2—Necessarily Absent
3—Illness
4—Other

SYMBOLS:
AY—Announced Yea
AN—Announced Nay
PY—Paired Yea
PN—Paired Nay

to be used to strengthen Medicare; see vote No. 84).

The Gramm motion to recommit with instructions would direct the Commerce Committee to report the bill back with the inclusion of the amendments already agreed to and the Gramm amendment No. 2437. (Under current law, all married people are taxed at a higher rate than they would be if they were single and their income were divided between them).The Gramm amendment would adopt the Gregg/Leahy amendment (see NOTE below) and would eliminate the marriage penalty in the tax code on couples earning less than $50,000 per year. The tax relief would be structured so that married couples that received it would not consequently lose Earned Income Credit (EIC) eligibility.

The Durbin amendment, as amended, would cap the look-back penalties at $7.7 billion annually and would shift the burden of those penalties on to those companies that have brands that do not meet the youth smoking reduction targets (see vote No. 149 for details). As amended by a Craig/Coverdell amendment, it would also fund anti-drug programs (see vote No. 151).As amended by a Gramm modified amendment, it would phase-in marriage-penalty relief over 10 years for married tax filers with incomes under $50,000, and it would provide immediate 100 percent deductibility of health care costs for self-employed taxpayers (see vote No. 154).

The Daschle amendment to the Durbin amendment would declare the Gramm-amendment (see vote No. 154) language on the marriage penalty null and void and would enact more limited relief. Specifically, it would discriminate against couples in which only one spouse worked by giving marriage penalty relief only to two-earner couples. Like the Gramm amendment, it would phase-in the marriage penalty relief, and like the Gramm amendment it would also make health insurance costs for the self-employed fully deductible immediately.

NOTE: Two Gregg/Leahy amendments were pending at the time of the vote (see vote No. 145).

For debate, see vote No. 153.